



## **EC-Iran**

### **Europe Condemns Violation of Diplomatic Immunity**

The European Community, through the Council of Ministers, the European Parliament, the European Council (summit) and in statements by members of the Commission, has several times condemned the seizure of the United States Embassy in Teheran and the taking of the American diplomats as hostages.

The following is a selection of statements:

"The Foreign Ministers of the Nine meeting in Brussels on 20 November considered Iranian authorities have not fulfilled their obligations under the Vienna Convention to give appropriate protection to both the staff and the premises of the American Embassy in Teheran. They have already made this concern known to the Iranian authorities on several occasions through diplomatic channels."

At their meeting today, the Ministers recalled that in 1976 the European Council expressly condemned any attempt to exert pressure on governments by taking of hostages. They considered that whatever the nature of the dispute between Iran and the United States the continued holding of diplomatic personnel of the Embassy of a foreign state as hostages and the threat to put them on trial is a breach of international law and such must be rejected by the governments of the Nine and by the international community as a whole. The Ministers reject this violation of international law and call upon the Iranian government to release all the hostages"

#### **Summit Statement**

The European Council, meeting in Dublin on November 29 and 30, issued the following statement:

1. The Heads of State or Government and the Foreign Ministers of the Nine, meeting in the European Council, considered the grave situation created by the occupation of the Embassy of the United States in Teheran and the holding of members of its staff as hostages in flagrant breach of international law
3. The Nine Member States of the European Community fully respect the independence of Iran and

the right of the Iranian people to determine their own future. They are conscious of the importance which the Iranian people attach to the changes which have taken place in their country. But in the same measure as they respect the rights of Iran they call on Iran to respect fully the rights of others and to observe the established principles that govern relations between States. Respect for these principles is essential to the effort to secure order and justice in international relations which is in the interest of all states including Iran.

4. The Governments of the Nine, supported by public opinion in their countries, expressed in particular by the European Parliament, solemnly appeal to Iran to respect these fundamental rights and duties so long established in international law. They urge most strongly that the Iranian authorities take action immediately to release the hostages in complete safety and allow them to return to their own country.

#### **Standing by US and the Dollar**

Speaking in Hessen (West Germany) in December, Guido Brunner, Energy Commissioner for the European Community, warned against being deflected from the proven ground rules of world economic cooperation. The unleashing of power politics in a region which was of decisive importance for our economic development was highly dangerous. He said 1980 would be a year of decision for the European Community and the world economy.

"Only together can Europeans, Americans and the other States, who value stable relationships, prevent chaos," Brunner said.

Brunner, who was addressing meetings in Weilburg and Limburg, called for solidarity with the United States whose world prestige must not be put at risk. The hostages in the American Embassy must be set free. Brunner gave the assurance that nobody in the European Community would think of buying up the oil which had been denied the United States.

"In the long term, the security energy supplies can only be procured through the market. Europeans will remain steadfast and not take advantage of the American's temporary embarrassment.

"The dollar too is irreplaceable. World trade, and trade in oil in particular, cannot be carried out in any other currency.

"Whoever tries to substitute European currencies for the dollar, puts the existence of the European Community at risk," said Brunner.

### Terrorism

#### Nine to Sign Convention

The Justice Ministers of the nine EC countries agreed in Dublin in November to sign an agreement for the implementation of the Council of Europe convention to eliminate terrorism.

Under the convention they undertake to extradite or sentence people convicted of crimes listed in the Council of Europe document, which includes bomb attacks and the taking of hostages.

The Ministers met informally in the context of political cooperation in the Community. Their agreement should come into effect three months after it has been ratified by all Member States, probably early in 1981.

### Progress on Technology Code

The United Nations Conference on a Code of Conduct for the transfer of technology ended on November 16 having made substantial progress in several important areas. A third session will be held in Geneva in the first half of 1980.

Notable progress was made on national regulation of technology transfers and on the functions of the Committee which will provide the Code's institutional machinery. The principle of a review procedure has also been agreed. This means, at least for the time being, that the Code will consist of non-legally binding guidelines.

Although important issues, particularly relating to the chapter on restrictive business practices, remain to be resolved, the European Community will continue to play a constructive role with a view to the adoption of the Code by the General Assembly of the United Nations before the end of next year.



Opening Session of European Parliament, July 17, 1979

### EC Budget Rejected by New Directly-Elected Parliament

#### Institutional Crisis Over Excess Farm Spending

The European Parliament, directly elected by new Euro-constituencies in the world's first international elections last June, decisively rejected the 1980 EC budget mid-December by a four-to-one majority. The proposed budget was for \$23.5 billion

This means that until the Parliament and the EC Council of Ministers, with the aid of the EC Commission, reach a new agreement on spending the Community has to fall back on levels of spending fixed at 1979 figures.

**While the Parliament has increasing influence over Community affairs, it has few precise legal powers. One of its powers, however, is the right to reject the entire annual budget proposals if, after the conclusion of a concertation procedure with the Council of Ministers, it is not satisfied.**

The problem is that for 1980, 75.6 per cent of the Community budget was to be spent on the common agricultural policy which, while it has dramatically raised the standard of living of farmers all over Europe and ensured security of supplies, has produced expensive surpluses, notably of dairy products and sugar.

Spending on agriculture is "obligatory," in that it is required under the Treaty of Rome. Over this part of the budget the Parliament has no discretion.

The remainder of the budget is "non-obligatory," in that it stems from Community policies which have been created in line with, but not laid down in the Treaty. These include regional development policy, social policy, research and development and external aid. Over this section of the budget the Parliament has limited discretion.

As in the case of all EC policies, the budget is first proposed by the Commission. The Commission's view was that in this special period of austerity the proposed 1980 budget was already the minimum required to carry out the policies agreed at successive Councils of Europe, or summits.

**Nevertheless, and as usual, at their first reading, the Council of Ministers of the Budget cut heavily into the "non-obligatory" area of spending.**

**The Parliament has discretion to insist that part of these cuts be restored, but only up to a ceiling. During the concertation process the Budget Ministers refused to agree to any more spending beyond the legal limit allowed by the Parliament.**

**Many among the European-wide political groups in the Parliament would have preferred a settlement, had the Ministers offered sufficient money to assure the Parliament that it was exercising constructive control over the budget. When this failed to materialize by 5 o'clock on the morning of December 13 the Parliament voted to reject the whole package, demanding reforms of the agricultural policy.**

Following the vote, the President of the EC Commission, Mr. Roy Jenkins, said, "Parliament has decisively made its judgment and is clearly acting within its rights. The Commission obviously cannot welcome a position in which there is no budget. It regrets that despite long efforts—perhaps at too late a stage for accumulated suspicions to be eliminated—no basis considered adequate for acceptance emerged.

"The Commission, for its part, will take responsibilities to the Community as a whole. The train is temporarily off the tracks. The Commission will try to get it back on again at what it judges to be the earliest favourable moment. For that it will require cooperation from both parts of the budgetary authority."

## **EC Increases Aid to Non-Associated Developing Countries**

Community aid to non-associated developing countries in Asia, Latin America and Africa is expected to rise to \$180m in 1980. This is a ninefold increase over the first, experimental programme launched in 1976, and is additional to the bulk of the Community's development assistance channelled through the Lomé Convention to the ACP (African Caribbean and Pacific) states.

Despite the significant increase in appropriations for the 1980 programme, the European Commission made clear in its communication to the Council last month that for an area with a population of 1250 million, three-quarters of which have a per capita GNP of less than \$200, the Community's contribution barely scratches the surface of the problem.

Allocation will be the same as in the 1979 programme under which Asia received 73% of available funds, Latin America 20% and Africa 7%. The low figure for Africa is explained by the fact that only two African countries, Angola and Mozambique, remain outside the Lomé Convention.

As in previous programmes the major target for aid will be rural development aimed at helping the poorest sections of society, particularly by increasing the supply of foodstuffs. Regional projects will continue to receive funds, although success in this area has been disappointing.

**Integrated rural development projects accounted for nearly a quarter (24.6%) of total programme funding over a period 1976-79. In future greater emphasis will be given to fisheries and aquaculture, rural roads and forestry development. Irrigation and water supplies (averaging 16.1% of past funding) will continue to attract aid.**

The Commission also proposes to devote more attention to assistance in project preparation. Many of the poorest developing countries have found it difficult to prepare a sufficient number of acceptance projects capable of rapid implementation, and could benefit from technical help in this field.

About 7-10% of the aid money will be held in reserve for long-term reconstruction and natural disasters.



*Sir Roy Denman,  
Director General for EC External Affairs.*

**Co-financing represents an important proportion of aid under the non-associates programme. In the past a large number of projects have been co-financed with various international aid organizations, notably the Asian Development Bank and the Inter-American Development Bank. Co-financing with Community member states has been limited to date, although a few such projects were started in 1978 and 1979. The Commission would like to see this form of cooperation expanded.**

Disbursement rates for aid provided under the non-associates programmes have been relatively slow in the past. A major cause of this is the deliberate orientation of the programme towards projects in the rural sector, many of which, by their very nature, require careful and painstaking implementation over a period of several years. A number of steps have however been taken to improve this situation. These include the intensification and regularisation of contacts with potential recipients and co-financing partners, and an attempt to build up a stock of ready projects capable of rapid implementation.

Decisions on a first batch of projects should be taken early in 1980, leading to their swift implementation.

## **North-South Dialogue**

### **From confrontation to concertation in North-South relations**

It is time to move from confrontation in the North-South dialogue, **Sir Roy Denman, the European Commission's director-general for external relations**, said recently in Geneva.

Speaking at a seminar on the North-South dialogue organized by the new Centre for Applied Studies in International Negotiation, Sir Roy said that the emphasis needed to shift from unilateral demands and concessions to reciprocal rights and obligations.

The European Community was particularly sensitive to the demands of the developing countries, he said. Its traditionally close ties with many parts of the developing world had evolved into solid bonds through such innovative regional dialogues as the Lomé Convention. Furthermore, the structure of its trade,

which made it more dependent on Third World markets and raw materials than other developed countries, gave the Community a special interest in improving the climate of the North-South dialogue.

The results of this dialogue had been disappointing in some areas over the past few years, Sir Roy said. Nevertheless solid progress had been made in the recently completed Tokyo Round of Multilateral Trade Negotiations. Tariffs had been reduced by a third covering \$5,000 million worth of developing countries' goods. The Community's offer on tropical products, which became operational in 1977, covered \$4,000 million worth of products of particular interest to developing countries. And the new codes non-tariff barriers would bring substantial benefits to the developing countries, particularly if they participated actively in the signatories' committees which will guide the evolution and application of the new codes.

**The Community hoped to make further progress on the selective application of safeguards in certain circumstances. The present GATT procedures which had to be applied across the board on a most-favored-nation basis hitting all suppliers equally, needed updating. The Community wanted to find a fair and balanced solution between importers and exporters. The help of the developing countries in achieving this was very important, he said.**

**Sir Roy rebuffed charges of protectionism levelled at the Community. The Community's record was good, he said, particularly when set against other industrialized countries. For example, Community imports of textiles had increased by 65% between 1973 and 1976 while those of the USA and Japan had dropped by 44% and 41% respectively over the same period, Sir Roy said. Even after the second round of negotiations on the Multi Fib Agreement in 1977, which the Community remained the largest market for developing country exports of textiles.**

The North-South dialogue was now moving into new areas. Sir Roy pointed in

particular to the proposal that energy be included in a new round of global negotiations at the United Nations in New York.

The Community supported this more concrete approach to the North-South dialogue, said Sir Roy. It was reflected in its recent proposal to give a special role in the dialogue to GATT's Group of 18, made up of representatives of 9 developing and 9 developed countries.

"The developing countries have a right to expect a dialogue with a humane and intelligent understanding of their problems, and tangible action within reasonable limits", said Sir Roy. But if the dialogue was to advance, developing countries needed to adopt a realistic view of what was possible and not exclude actions on their own account, such as income distribution. Furthermore, they could not all continue to enjoy special and differential treatment for the rest of time, he said. The more advanced in particular would need to accept obligations commensurate with their growing economic significance.

## UNCTAD

### **Conference to set standards on international business behavior**

*The United Nations Conference charged with the negotiation and adoption of a set of principles and rules on Restrictive Business Practices (RBPs) opened in Geneva under UNCTAD auspices on November 19.*

The European Community attaches major importance to these negotiations which should finalise the set of principles and rules on RBPs that have been under discussion in UNCTAD since 1972. The future code will set worldwide standards for business behaviour in international trade. The Community has competence in this area, and is participating as such in the negotiations. The Commission of the EEC has considerable experience in controlling restrictive business practices affecting trade within the Community under articles 85 and 86 of the Treaty of Rome.

A recent heavy fine (about \$10 m) against a subsidiary of Pioneer, a Japanese firm operating within the European Community, illustrates this point.

The Community has always held the view that the development of international trade should take place under con-

ditions of fair competition and that it is necessary to promote international co-operation in order to control restrictive business practices adversely affecting international trade. Universally applicable principle and rules should be based on those generally recognised under relevant national and regional laws. It would not be a step towards a better international economic order nor a service to developing countries to adopt a code containing rules which were difficult to enforce or likely to stifle trade and thus hamper economic development

#### **Provisions of the Code:**

##### **The proposed Code will include:**

- **Provisions of substance calling upon enterprises to refrain from specified restrictive business practices relating to cartels and abuses of a dominant market position.**
- **Provisions relating to restrictive business practices addressed to States at national, regional and sub-regional levels.**
- **Provisions on international collaboration concerning in particular consultations between States and technical assistance to developing countries.**

#### **Outstanding issues:**

Although agreement has been reached at expert level on most of the Code's provisions, differences still remain on some important issues such as the effect of the legality of certain practices under applicable domestic laws, the treatment of parent-subsidiary relations in transnational companies, the idea of preferential treatment for developing countries, and the role of UNCTAD in any follow-up mechanism.

The Code will in all likelihood be adopted in the form of a UN resolution and will have the character of non-legally binding guidelines

A particular problem for the Community is the status of regional communities, such as the European Community, under the Code

#### **Common Fund**

The EC Commission has sent to the Council of Ministers proposals for approval which would commit the European Community to full participation in the Common Fund set up under the auspices of UNCTAD from the start

Next negotiations on the Common Fund, aimed at stabilising prices for raw materials, are set for mid-March next year in Geneva.

**The Common Fund is characterised by two "windows." Under the first window the Community should make indirect contributions of between \$84 and \$85 million out of a total of \$470 million through the commodity agreements it has signed. Under the second window the Community and the individual Member States may contribute on a voluntary basis about \$80 million out of a total target of \$350 million. The idea is that each of the Nine, or Ten including Greece which will join the EC in January, 1981, should contribute \$1 million each with assessed contributions from each member making up the balance. Any shortfall would be made up from the Community budget.**

Meanwhile the European Court of Justice, one of the institutions of the Community, has ruled that the Community as such is entitled to participate with full competence under article 113 of the Treaty of Rome in exercising its common commercial policy.

## **Generalised Preferences:**

The EC Council of Ministers approved on November 20 the 1980 generalised preference scheme for developing countries, the 10th such programme since it began in July, 1971. The nominal value of preferential imports under the system is expected to reach \$12.7 billion next year.

Although big changes in the scheme are not expected until 1981, when the second decade begins, the 1980 programme includes China in the list of beneficiaries.

**The inclusion of China was accompanied by a promise that this would not be allowed to hurt the poorest countries and while some items of Chinese trade are excluded from the scheme altogether (such as iron or steel tubes, zinc wrought plates, copper wrought bars, wicker or basket work items) others are faced with a cut-off point (such as sewing machines, tiles and sheepskins).**

**Broadly speaking, the poorest countries will be able to export their produce to the European Community duty-free. While some reduced tariffs on farm produce remain, the poorest countries can export to Europe duty free. There is a reduced number of items on which quotas must still apply. Virginia flue-cured tobacco still attracts duty.**

Textiles are dealt with for the first time on the basis of the degree of development in the exporting countries with an elaborate system comparing output with productivity and the gross national product. In this context Iran has not been included in the generalised preference scheme; since no quantitative agreement has been signed there can be no duty-free quota for Persian carpets. If real negotiations were to begin the EC might review its position.

## **GATT-MTNS Signed**

Following the earlier passage through both Houses of Congress and the ratification by the Council of Ministers on November 20 of agreement on the Multilateral Trade Negotiations—the Tokyo Round—the instruments of the agreement were signed within the GATT at a ceremony in Geneva on December 17. While some issues remain outstanding—although not specifically between the US and the EC—the new global trade regulations will go into effect next year.

## **EC-ASEAN**

Negotiations between the EC Commission and the five countries of ASEAN (Association of South-east Asian Nations), Malaysia, Singapore, Thailand, Indonesia, and the Philippines, for a new cooperation agreement, were concluded early in December.

The two sides were submitting the draft agreement to their appropriate Ministerial authorities for ratification so that signature could take place by the end of this year.

# **EC—Kampuchea**

## **Summit Statement**

### **Community Takes On Nearly Half Aid Burden**

The European Community has been deeply concerned with the plight of the people of Kampuchea and increasingly involved in sharing the cost of the aid required to save lives.

In a statement in the final declaration following the European Council (summit meeting) of the Nine Member States in Dublin on November 29-30, the leaders of the Community said:

1 The European Council expressed its deep concern at the tragic situation in Cambodia.

2. It recalled that the EEC and its Member States are contributing substantially to international relief efforts now under way. It emphasised the urgent need to ensure that international efforts to bring humanitarian relief to those in need in Cambodia and to Cambodian refugees in Thailand will be fully effective. It appeals to all those in a position to help and in particular to the parties most directly concerned to ensure that humanitarian relief will reach those in need.

3 It expresses its particular concern regarding the dangers confronting the refugee camps on the Thai-Cambodian border as a result of the continuing hostilities.

4 In the view of the Governments of the Nine a solution of the wider problems which confront Cambodia should be based on an independent and neutral Cambodia, with a genuinely representative government, free from any foreign military presence and maintaining friendly relations with all the countries of the region."

### **Background of Aid**

On October 30 the Council of Ministers approved a Commission proposal to grant a further \$35 million in aid to the people of Kampuchea as part of an emergency six-months plan (October 1979-March 1980) evaluated by UNICEF and the International Red Cross (ICRC) at 11 million, not counting the sum needed by the United Nations High Commissioner for Refugees (UNHCR) for Kampuchean refugees having recently fled to Thailand, which is of the order of \$50 million

This is in addition to the \$7 million provided for relief organizations working in Kampuchea and will be used in the same way: \$28 million in cash for purchasing medicine, transport, equipment, seeds and other essentials, and \$7 million for the purchase and distribution of 20,000 tonnes of rice.

This brings the Community's total contribution, including the possible supply of 11,500 tonnes of milk, to \$43.4 million (\$33.6 million in cash and \$9.8 million in the form of 25,000 tonnes of rice). Member States have announced at a pledging conference in New York, on November 5, bilateral contributions totalling \$13.61 million, bringing commitments from the Nine in all to over \$57 million.

The Community is also giving aid worth \$42 million (\$21 million cash and 28,000 tonnes of rice) to the South East Asian "boat people."

The 1979 food aid programme approved in May provides for the supply to Vietnam of 86,000 tonnes of cereals (7,300 tonnes of which is to be delivered by the UNHCR to Kampuchean refugees in Vietnam), 15,000 tonnes of milk powder and 4,000 tonnes of butteroil, equivalent to almost \$40 million. With the exception of the 7,300 tonnes of cereals for Kampuchean refugees, this aid was temporarily suspended in July.

On November 16 the Commission decided to allocate the \$28 million in emergency aid for the people of Kampuchea. This allocation included a reserve of \$2.8 million for a number of non-governmental organizations (NGO's) which were still in process of preparing their applications. A number of these applications have since arrived and on December 3 the commission therefore decided to allocate the reserve. The operations which will be financed by these NGOs include:

1 The sending to Thailand.

(a) Of a medical team of 120 people organized by "Medecins sans Frontieres" and financed by the Community,

(b) Of two field hospitals with the necessary equipment,

2. The sending to the Thailand/Kampuchea frontier of two or three convoys of foodstuffs, medicines, etc. per week;

3. The sending to Phnom Penh by all available means medicines, medical equipment, foodstuffs and clothing;

Total Community aid is being disbursed to a number of NGO's, but there are doubts about its distribution to the Kampucheans by the Vietnamese authorities on the spot.

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**The Breakdown of Distribution is  
as follows:**

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	<b>\$ million</b>
Committee of International Red Cross	4 23
UNICEF	4.23
World Food Programme	1.41
FAO	0 7
UNHCR	9.87
Delegation EC Bangkok	0 7
Reserved NGO's	2 82
Member States' Air Bridge	4 23
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	\$28 19

(A decision on \$8.6 million worth of food aid will be taken later )

## **EC— Latin America**

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The EC mission to Mexico, led by Wilhelm Haferkamp, Vice-President of the Commission for External Affairs, is part of a growing move by the EC to improve its relations with Latin America.

Individual European countries have long sustained close relations with countries in Latin America, and the EC is now working out a wide-ranging trade and economic cooperation pact with Brazil. The Community is now Brazil's largest export market by far.

In fact trade between the EC and Latin America was just below \$24 billion last year, with Latin America running a small surplus for the past three years

Earlier in November Mr. Kaferkamp had talks in Brussels with delegates from the Andean Pact, led by Mr. Sebastian Alegrett, Chairman of the Institute of Foreign Trade in Venezuela and currently President of the Andean Pact Commission.

The Andean Pact countries, comprising Venezuela, Colombia, Bolivia, Ecuador and Peru, are regarded as major proponents of improved relations between Latin America and the EC. Last July, President Cesar Turbay of Colombia visited the EC Commission in Brussels.

## **EC—Mexico**

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The European Community-Mexico Joint Committee met in Mexico towards the end of November and reached a substantial degree of consensus.

In particular the EC was in agreement with Mexico on North-South issues, particularly on energy; on trade promotion in order to reduce Mexico's trade deficit with the EC now running at \$1.25 billion annually; on industrial cooperation and on the prospect of Mexico participating in certain European research projects, particularly in energy and informatique exercises.

Mexico has had an economic and trade cooperation agreement with the EC since 1975, but movement has hitherto been largely one-sided, with Mexico's deficit growing. Between 1968 and 1978 Mexico's exports to Europe grew by only 2 percent while EC exports to Mexico grew by 3 per cent. Therefore a reduction in Mexico's deficit is a primary aim in further discussions.

While Mexico remains so far highly dependent on the United States, the country is becoming more important to Europe. Mexico has large oil and uranium resources as well as conventional minerals, and is the world's largest exporter of silver. Meanwhile much of Mexico's investment capital comes from Europe.

## **EC—Guinea-Bissau**

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### **Agree on Fish**

The Republic of Guinea-Bissau and the Commission of the European Community have initialled a fisheries agreement, the text of which is now before the EC Council of Ministers for approval

Guinea-Bissau is the second developing country—after Senegal, with which an agreement was concluded in May—thus to organize its relations with the Community in the sphere of fishing

The Agreement, which is valid for two years with an automatic renewal clause, specifies the number of Community vessels and the conditions in which they may engage in fishing activities within Guinea-Bissau's fishing zone. To this end the Guinea-Bissau authorities will issue licenses against payment of a fee to be



paid by the shipowners. The latter may be required to land part or all of their catch at a Guinea-Bissau port. Within the limits laid down in the Agreement they will have to employ Guinea-Bissau nationals on their vessels

Under the Agreement the Community will pay Guinea-Bissau a sum, which, for the initial duration of the Agreement (two years) and since there is no recent experience of certain kinds of fishing, has been fixed at \$3.2 million. This money is not refundable and is designed to finance sea and freshwater fishery projects and services undertaken under the responsibility of the Republic of Guinea-Bissau. It is additional to the financial assistance which Guinea-Bissau receives and will continue to receive under the Lome Convention.

Finally, it was agreed that the Community would provide study and training awards for Guinea-Bissau nationals in the various subjects connected with fisheries.

The agreements with Senegal and Guinea-Bissau will help to bring order to the fishing grounds off West Africa. Several other countries including Sierra Leone have expressed interest in similar agreements with the EC.

## **EC—COMECON**

### **Two Sides Move Closer**

**New Talks between the Commission of the EC and Council for Mutual Economic Assistance (COMECON) are scheduled for April, 1980, following discussions in Moscow at the end of November.**

**An EC Delegation led by Mr. Wilhelm Haferkamp, Commission Vice-President for External Affairs, met a CMEA delegation led by Mr. N. Fadeyev, secretary-general, to discuss a new Commission draft.**

#### **The Background:**

The first talks began in February, 1975, and have continued at erratic intervals ever since. A major sticking point has been the Commission's refusal to accept the CMEA as a similar body with which it should negotiate exclusively. On the contrary, unlike the Commission, COMECON has no joint trade policy and no competence in this field. While the members of the CMEA should deal individually with the Commission within the EC's common commercial policy, the Commission acts

effectively for the Nine EC Member States.

**A major political motive for moving faster towards agreement is to normalise relations after the Helsinki agreement. The EC has normal relations with all countries in the world, and specific agreements with many, but its relations with its nearest neighbours, in Eastern Europe, are not normalised. Yet trade is growing. The Soviet Union alone is the EC's seventh supplier and seventh customer.**

In Moscow, the Community delegation presented several new suggestions to meet CMEA demands as far as possible. Commission vice-president Haferkamp has said that the EC has gone as far as it is prepared to go in its concessions and that it is now up to Comecon to give a constructive response.

The new draft goes further than earlier EC texts towards meeting Comecon demands. For one thing, because of the CMEA's well-known insistence that trade should be dealt with in the agreement, the EC draft goes into greater detail than before on how trade matters should be handled as between the EC and the interested CMEA countries, it suggests that future bilateral agreements might cover among other things import arrangements, most-favoured-nation treatment, safeguard provisions, the removal of obstacles to trade, and trade promotion.

Again, according to the new draft the agreement will not simply set up "working relations" between Comecon and the EC (a formula which Comecon found too modest); it will lay down the principles on which relations between them will be based—notably respect for each other's rules and practices.

As to the form which Comecon-EC relations will take, the idea of the new draft is to open up the possibility of a wide range of informal practice contacts between officials of the two integration organisations, without setting up cumbersome bureaucratic machinery. The EC approach is based on the fact that in certain areas, the two organisations are doing similar things and should keep in touch on matters of common interest.

The Community favours an agreement with Comecon to provide useful contacts between the organisations, plus the necessary agreements with the Comecon member countries on the development of trade.

A drafting group of experts will meet in February or March before the scheduled April negotiations

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**Delegation of the Commission  
of the European Communities  
to the United Nations**

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